

1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE TEXAS ECONOMY

The importance of small business to the state of Texas is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

Number of Businesses - In 1997, Texas had 375,357 businesses with employees; 98.7 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 845,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 4.9 percent to \$52.2 billion in 1997, while wage-and-salary income rose 9.4 percent. The state also exported \$56.3 billion of goods in 1997. (In 1992, 87.0 percent of the exporters in the state were small businesses.)

Women-Owned Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 551,600 women-owned businesses in Texas, including part-time firms, employing 1,097,900 people and generating \$129.6 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 70.1 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 40.0 percent from 1987 to 1992, totaling 50,008 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 64.5 percent during the same time period with 155,909 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 22,682 in 1987, to 38,763 in 1992, representing a 70.9 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms increased 1.4 percent, while new business incorporations increased 0.7 percent. Financial difficulties leading to business bankruptcies decreased by 0.1 percent and business failures increased by 20.9 percent.

Finance - An SBA Office of Advocacy study found that the number of banks in Texas decreased from 997 in 1994 to 856 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
NAVIGATION BK	Houston
WOODHAVEN NB	Fort Worth
FIRST BK OF CONROE NA	Conroe
FIRST NB	Hughes Springs
WHISPERWOOD NB	Lubbock
FIRST NB	Newton
GUARANTY BK	Mount Pleasant
FIRST CMRL BK NA	Seguin
EAST TX NB	Marshall
MIDLAND AMER BK	Midland
SECURITY ST B&TC	Fredericksburg
FIRST WACO NB	Waco
STERLING BK	Houston
TEXAS ST BK	Mcallen
TEXAS CMRC BK NA	Houston
NATIONSBANK OF TX NA	Dallas
BANK ONE TX NA	Dallas

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

Job Growth - From 1992 to 1996, small businesses (fewer than 500 employees) created all of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	376,587	222,423	162,201	185,551	(36,796)	909,965
Manufacturing	13,725	17,257	15,311	29,839	(69,277)	6,856
Retail Trade	29,550	30,377	37,067	8,489	(34,586)	70,898
Services	221,392	113,397	80,900	94,586	81,416	591,690
Other	111,919	61,391	28,925	52,636	(14,350)	240,522

Industries - Small firms in the state are represented in many industries. The Eating & Drinking Places industry is the largest small business employer in Texas, followed by Health Services. The fastest growing industry for small business is Transportation By Air (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	6,785,804	100.0	49.3
Health Services	8000	715,867	10.5	38.0
Business Services	7300	568,835	8.4	41.8
Eating & Drinking Places	5800	520,868	7.7	58.7
Wholesale Trade - Durable Goods	5000	290,558	4.3	67.3
Food Stores	5400	242,890	3.6	27.6

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	3,342,682	100.0	49.3
Eating & Drinking Places	5800	305,730	7.7	58.7
Health Services	8000	271,873	10.5	38.0
Business Services	7300	237,689	8.4	41.8
Wholesale Trade - Durable Goods	5000	195,462	4.3	67.3
Special Trade Contractors	1700	192,464	3.1	90.3

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	3,342,682	109,827	3.3
Transportation By Air	4500	7,140	974	13.6
Holding & Other Investment Offices	6700	13,068	1,497	11.5
Building Construction	1500	60,646	6,102	10.1
Special Trade Contractors	1700	192,464	19,041	9.9
Communications	4800	23,822	2,278	9.6

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.